

**ALASKA STATE LEGISLATURE
SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

April 1, 2015

1:35 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Cathy Giessel, Vice Chair
Senator Bill Stoltze

MEMBERS ABSENT

Senator Pete Kelly
Senator Johnny Ellis

COMMITTEE CALENDAR

SENATE BILL NO. 78

"An Act relating to medical assistance reform measures; relating to eligibility for medical assistance coverage; relating to medical assistance cost containment measures by the Department of Health and Social Services; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 74

"An Act relating to permanent fund dividends; relating to a medical assistance reform program; establishing a personal health savings account program for medical assistance recipients; relating to the duties of the Department of Health and Social Services; establishing medical assistance demonstration projects; and relating to a study by the Department of Health and Social Services."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 78

SHORT TITLE: MEDICAL ASSISTANCE COVERAGE; REFORM

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/18/15 (S) READ THE FIRST TIME - REFERRALS

03/18/15	(S)	HSS, FIN
03/30/15	(S)	HSS AT 1:30 PM BUTROVICH 205
03/30/15	(S)	Heard & Held
03/30/15	(S)	MINUTE(HSS)
04/01/15	(S)	HSS AT 1:30 PM BUTROVICH 205

BILL: SB 74

SHORT TITLE: MEDICAID REFORM/PFD/HSAS/ER USE/STUDIES

SPONSOR(s): KELLY

03/13/15	(S)	READ THE FIRST TIME - REFERRALS
03/13/15	(S)	HSS, STA, FIN
03/13/15	(S)	HSS AT 1:30 PM BUTROVICH 205
03/13/15	(S)	-- MEETING CANCELED --
03/23/15	(S)	HSS AT 1:30 PM BUTROVICH 205
03/23/15	(S)	Heard & Held
03/23/15	(S)	MINUTE(HSS)
04/01/15	(S)	HSS AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

AMANDA RYDER, Fiscal Analyst
Legislative Finance Division
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Presented information on SB 78.

JON SHERWOOD, Deputy Commissioner
Department of Health and Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Presented information on SB 78.

ROSS BEILING, CEO
Medical Bidline, LLC
Anchorage, Alaska

POSITION STATEMENT: Testified on SB 74.

BECKY HULTBERG, President/CEO
Alaska State Hospital and Nursing Home Association
Juneau, Alaska

POSITION STATEMENT: Testified in favor of reform and expansion concepts in SB 78.

JEFF JESSEE, CEO
Alaska Mental Health Trust Authority (AMHTA)
Anchorage, Alaska

POSITION STATEMENT: Testified in favor of Medicaid reform and expansion in SB 78.

FRANK MCQUERY, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to the expansion of Medicaid.

JEREMY PRICE, State Director
Americans for Prosperity
Anchorage, Alaska

POSITION STATEMENT: Testified against further implementation of the Affordable Care Act in Alaska.

ACTION NARRATIVE

[1:35:07 PM](#)

CHAIR BERT STEDMAN called the Senate Health and Social Services Standing Committee meeting to order at 1:35 p.m. Present at the call to order were Senators Stoltz, Giessel, and Chair Stedman.

SB 78-MEDICAL ASSISTANCE COVERAGE; REFORM

[1:36:01 PM](#)

CHAIR STEDMAN announced the consideration of SB 78 and noted that Legislative Finance would give a presentation.

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AMANDA RYDER, Fiscal Analyst, Legislative Finance Division, Legislative Affairs Agency, presented information on SB 78. She said she is responding to the request by the committee to produce graphs related to Medicaid history, growth rate, and inflation impacts. She showed graphs comparing the fiscal impact of the Governor's amended budget and SB 74 and SB 78 on state general funding and on state and federal total spend.

[1:39:40 PM](#)

MS. RYDER turned to two graphs that show the budget history of Medicaid, for general funds and for total funds, as well as cost per recipient.

She showed graphs depicting inflation-adjusted numbers for Anchorage and for Anchorage health care.

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MS. RYDER discussed a graph of Alaska's population growth and Medicaid enrollee growth.

She turned to graphs of historical Medicaid growth adjusted for Anchorage inflation and cost per enrollee.

1:46:09 PM

She showed graphs of historical and projected Medicaid appropriations adjusted for medical inflation and cost per recipient.

1:48:11 PM

She highlighted graphs of the projected Medicaid growth rates for general funds and for all funds from 2006 to 2016, and from 2012 to 2016.

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CHAIR STEDMAN commented that it is not as scary when inflation and population growth is considered, but state revenue is not tied to those, unfortunately.

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JON SHERWOOD, Deputy Commissioner, Department of Health and Social Services (DHSS), presented information on SB 78. He began by answering a previous question from Senator Stoltz about the PFD hold harmless provision, a complicated piece of the bill. He provided background about changes in the Affordable Care Act (ACA) that dealt with old Aid to Families with Dependent Children rules. Under ACA, rules were changed from income rules to those based on modified adjusted gross income, as well as who is considered in the household. One difference is that the old rules would take a gross income amount and apply income "disregards," like child care expenses and other deductions. Alaska applied for the disregard of the PFD and it also provided for a hold harmless provision that says if a person is required to count the PFD and it makes them ineligible for a program, they can continue to receive benefits at state expense, but it is paid out of the dividend account, not general funds. The person can continue to receive benefits for up to four months if the "disregard" makes them ineligible.

Under the old rules income was considered at "point of time." Under the new modified gross income rules, income is annualized. That is significant so people can move back and forth smoothly between the exchange and Medicaid as their income changes, and not lose eligibility. States were required to raise income standards to reflect the loss of the "disregards."

Because the expansion group was not an existing category, there is no provision for making such a conversion. Income for the expansion group is annualized and the PFD hold harmless no longer provides protection. There was no easy solution to this problem. If members of the expansion group received a PFD that made them ineligible for Medicaid, they would be eligible to receive subsidized insurance coverage through the exchange with minimal premiums or cost-sharing. It would be a relative minor loss of benefits and it would solve a difficult administrative problem.

MR. SHERWOOD summarized that the most practical solution was to exempt these individuals from the hold harmless provision and they would receive subsidized coverage from the exchange. All existing beneficiaries would not be impacted; the expansion group would be the only one this applies to.

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SENATOR STOLTZE clarified that the hold harmless provision is such that, "We pay up to four months of benefits so people on welfare can continue to receive the dividend. That comes out of every other Alaskan's dividend." He asked Mr. Sherwood if he would like to extend that benefit to the potentially new 42,000 beneficiaries.

MR. SHERWOOD said state law would compel them to do it, so they proposed the exemption to satisfy the requirement.

SENATOR STOLTZE asked if the first approach was to try to continue the hold harmless provision.

MR. SHERWOOD said yes.

SENATOR STOLTZE asked if the exemption would apply to all dividend recipients in a family. He wondered if there was an option for declining a PFD.

MR. SHERWOOD explained that in the Medicaid application there is a requirement for a person to apply for income they are eligible for, which would include one's PFD.

SENATOR STOLTZE asked if families can decline to apply for minor's PFD's, which they then can collect when they reach 18.

MR. SHERWOOD said he would have to look into that. It generally does not happen. Expansion cases are primarily adults without children.

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SENATOR STOLTZE asked if a dependent's dividend is calculated as part of the family's income.

MR. SHERWOOD said for the Medicaid population all income is included. There are some exceptions. Those who do not have to file tax returns, their incomes don't count.

SENATOR STOLTZE requested a written explanation.

CHAIR STEDMAN asked the department to prepare that information for the committee.

SB 78 was held in committee.

SB 74-MEDICAID REFORM/PFD/HSAS/ER USE/STUDIES

[2:05:10 PM](#)

CHAIR STEDMAN announced the consideration of SB 74. He opened public testimony.

ROSS BEILING, CEO, Medical Bidline, LLC, testified on SB 74. He provided information about his business. He discussed reform efforts in light of the economic situation. He listed what services his company provides. He suggested looking at cost reforms in health care. He said there has not been competition in health care and it has led to expensive equipment. He said we cannot afford not to get Medicaid expansion right.

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CHAIR STEDMAN asked Mr. Beiling if he is requesting the state to lower its costs by using used or reconditioned equipment. He asked what his bottom line is.

MR. BEILING stated that the state should engage in competitive bidding because it levels the playing field.

CHAIR STEDMAN asked for clarification.

MR. BEILING said it should be for new and used medical equipment.

[2:13:03 PM](#)

BECKY HULTBERG, President/CEO, Alaska State Hospital and Nursing Home Association (ASHNHA), testified in favor of reform and expansion concepts in SB 78. She said ASHNHA supports many of

the reform concepts in both bills. She opined that expansion is necessary as part of improving Medicaid. She pointed out that hospitals support Medicaid expansion due to the potential for reduction in costs of uncompensated care and to provide fiscal and economic benefits. Reforms are also necessary to improve the Medicaid system.

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MS. HULTBERG pointed out that the department has already been involved in reform. She stressed the importance of "paying for value." She gave two examples of payment reform, one in Ketchikan and the other in Central Peninsula Hospital.

She disagreed with the idea that reform should come before expansion. Reform is an on-going process. She maintained that Medicaid must evolve at the same pace as reform. She disagreed that innovation and change require resources. Providers are going to have to take risk and innovate to create new models of care. She suggested capital for change can come from reduction in uncompensated care.

She concluded that reform is achievable and expansion is key to achieving reform.

[2:19:04 PM](#)

SENATOR STOLTZE requested Ms. Hultberg to comment on the previous speaker's ideas.

MS. HULTBERG said she is not familiar with the details of Mr. Beiling's proposals. She agreed competition is a positive principle.

SENATOR STOLTZE questioned the role of competition in hospitals.

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JEFF JESSEE, CEO, Alaska Mental Health Trust Authority (AMHTA), testified in favor of Medicaid reform and expansion in SB 78. He explained that the reform elements in both bills are vital in order to protect AMHTA beneficiaries in the long run. He stated that expansion is critically important to beneficiaries because there are many beneficiaries that do not have any health care. Reform ideas in both bills would go a long way to stabilize Medicaid and would be a positive fiscal move.

He said expansion should be looked at because other parts of the state budget could also be brought under the same kind of cost control. He used Corrections as an example of a department in

need of sustainability. Recidivism is prevented by providing support for recovery and health care. There is now an opportunity to have 90 percent coverage by the federal government of support for recovery in the Corrections population. He stressed that when the Corrections budget is controlled, then other departments' budgets are affected; Public Defender, Department of Law, Court System, the troopers and the police.

He concluded that the Trust is supportive of reform efforts in both bills, and the expansion in SB 78.

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FRANK MCQUERY, representing himself, testified in opposition to the expansion of Medicaid. He said the bigger the system, the more difficult it is to be controlled. He gave an example of a problem with checking financial eligibility for Medicaid. He said reform is needed before expansion. He maintained that the system will not work for the neediest beneficiaries. He did not believe expansion would work.

[2:31:10 PM](#)

JEREMY PRICE, State Director, Americans for Prosperity, testified against further implementation of the Affordable Care Act in Alaska. He noted a portion of Alaska's financial report, noting defects in Medicaid's accounting system. He said he agrees with the reform ideas in SB 74.

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SENATOR STOLTZE asked Mr. Price what outreach he has received from DHSS.

MR. PRICE said none.

SB 74 was held in committee.

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There being nothing further to come before the committee, Chair Stedman adjourned the Senate Health and Social Services Standing Committee at 2:36 p.m.